

Buying a New or Used Car



Driving your parent's car is okay, but wouldn't it be fantastic to have your own car? Every teenager dreams of having a shiny new car or truck wrapped up in a big red bow in the driveway, on the morning of their 18th birthday. But the reality is that most teens don't have the luxury of owning their own car.

This unit will prepare you for the day you are able to purchase your own set of wheels. It will take you through the steps of how to find a new car or a good used car, how to pay for it and what other costs or state laws are required in order to get you in the driver's seat.

So, fasten your seatbelt and hold on for a great ride...





Lesson One

Lesson Objectives:

- **Test your knowledge of the car buying experience.**
- **Given a budget, decide how much you can afford to pay for a car.**

1. Log on to CNNmoney website at <http://edmunds.nytimes.com/advice>

Click your mouse on the link "Used Car Buying Quiz". Take the quiz (using a piece of scrap paper) and record your score below. Be honest about your score and don't worry - you're not supposed to know these answers. But this text will give you an indication of some of the areas we will be covering and will show you how much you've learned at the end of our unit.

My score on the Edmunds/NY Times car buying quiz _____/10 points_____

2. Your next step is to find out how much money you can afford to spend on your car. There's nothing worse than buying the car of your dreams, only to find that you don't have enough money left to fill it with gas or buy those accessories you've been eying.

In the folder titled "Lesson Plan One" you will need to read the handout "How Much Can You Afford?" (The 20-10 Rule). Read Through the handout and answer the following questions.

3. Your car just broke down and you need to find another one, fast. Supposing your monthly income after taxes (net take-home pay) was \$1800, **what would your safe debt load be?**

Your maximum monthly payment?

4. You just got done with you annual review. Your boss has given you a bonus and raised your monthly salary to \$2200 (you've obviously done a great job). Now **what would your safe debt load be?**

Your maximum monthly payment?

5. You now know how to figure a reasonable monthly payment. Now, it's off to the bank to find a loan. Read through the handout's "Shopping For a Car Loan", "How to calculate the Cost of A Loan" and "The Truth-in-Lending Act"

According to "Shopping For a Car Loan", what does APR stand for? _____

- **Variables** of a loan are all of the choices that you have, or the bank offers you, when you take out a loan. The APR is the percentage of the amount you owe that you pay each year for having the loan.
- The **length of the loan** is the time, in months, that you repay your debt.
- **Monthly payments** are the amount you will pay back every month.
- **Total finance charge** is the total you pay over the life of the loan, above the amount originally borrowed.
- **Total to be repaid** is the cost of the original loan plus the finance charges.

6. If you borrowed \$8000 at 13% interest for 3 years, **how much would you have paid that bank at the end of your loan?** _____

7. **Why would someone borrow money for 60 months rather than 36 months, knowing that you will be paying much more for the loan? Explain your answer.**

8. Referring to "How to calculate the Total Cost of a Loan"

A formula given to estimate the cost of a car loan: $\text{Loan amount} \times \text{APR} \times \text{number of years}$.

Using this estimate, answer the following:

How much (total) would a \$6000 car loan, at 10% interest cost, for 60 months?

How about an \$8000 loan, at 14% interest, for 36 months? _____

Because these amounts are only an estimate, we will use the Internet to figure exact loan costs.

9. Log on to this auto loan payment calculator: <http://www.bankrate.com/brm/auto-advisers/auto-calculator.asp>

Using this calculator, **determine the total cost, monthly payments and total finance charge for each of the scenarios on the worksheet "How Much Would You Spend?"**

10. Read over "The Truth-in-Lending Act" handout.

Why was the truth-in-lending act was created?

Who is the Truth-in-Lending Act designed to protect?

Why might someone be charged a late payment?

Why would a lending institution (like a bank or credit union) make you pay a prepayment penalty?



Lesson Two

Lesson Objectives:

Indicate the costs of owning and operating a car



This new flash just in... great Uncle Charlie died and left you a nice sum of money. You know that there was nothing that he liked better than driving his supped up '67 Mustang to local car shows. And the stipulations of his will state that the money must be used to purchase a car ... one of your choice.

Each of you will draw a price tag from Mrs. Ries. This is your car-purchasing limit and you must stay within your budget. For the course of this unit we'll assume that your savings, or your parents, will pick up the costs of insurance, taxes, license and other incidentals.

My car buying allowance is _____

And one more thing...Uncle Charlie was also a school teacher (remember?), and left you one last assignment. Using the information found in the lesson two handouts "Costs of Owning and Car" and "Costs of Operating a Car" you need to create an informational poster.

Using the computer, magazine clips or by hand drawing, you are to create a poster on 8 ½" x 11" or 11" x 17" paper that explains all of the costs associated with ownership and operation of a motor vehicle.

Your poster should include:

- ❖ A catchy headline (example: Owning a car...it all adds up!)
- ❖ Inclusion of all 13 factors shown on the lesson two handouts (sales tax, storage, etc.)
- ❖ A minimum of 4 clips or drawings
- ❖ Your name and the sentence "A project of the BHS Independent Living Class"



Lesson Three

Lesson Objectives:

Indicate skills and information needed to assure a positive buying experience.

Now...before you run off and start hitting the car lots you have to little learning to do. You need to know how to shop for a car, you need to understand terminology associated with car buying, and you have to find out about licensing you car, insurance, maintenance and upkeep. You will also be responsible for the car buying vocabulary list in the Lesson Three Folder. Pick one up and study, study, study (you will see them again...hint, hint!).

1. First you have to know what your options are, tips on buying a car, and how to get the very best value for your money.

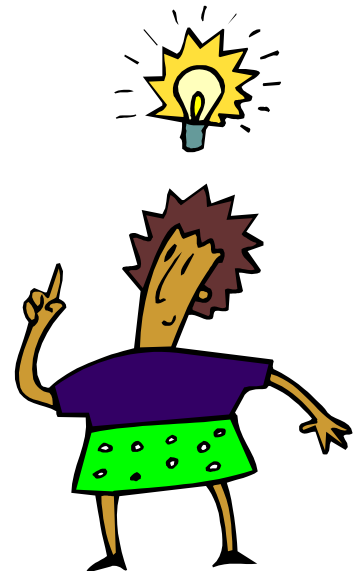
Remember that quiz we took two days ago? Well, log on to the CNNmoney sight again.

http://money.cnn.com/pf/101/lessons/18/top_ten.html

and click on "Top Ten Things" you need to know when buying a car.

List the 10 suggestions in the table below

1.
2.
3.
4.
5.
6.
7.
8.
9.
10.



Which tip do you think is the most important? Why?

2. Now log on to New Car Seeker at <http://newcarseeker.com/tips/usedcar-tips.html>

Read through "What Kind Of Car Am I Looking For".

Consider the information given on the 9 categories of vehicle, **which type of car would be the best fit for you?** Justify your answer by associating it with you lifestyle & your current needs in a minimum of 2 paragraphs.

What does the article suggest you do before you purchase any car?

Do you know a reliable mechanic? Where are they located?

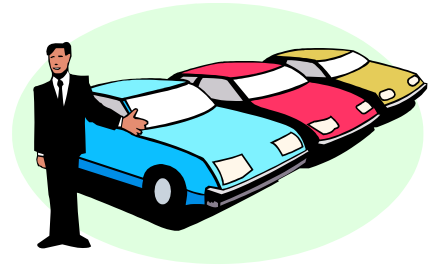
What certification should all mechanics have?

3. Lastly, log on to Car Buying Tips at <http://www.carbuyingtips.com/scams.htm>

Scroll down until you see the colored box "Top 10 Car Dealer Scams of 2001"

Choose two (2) of the 10 scams listed and explain how each of the two scams work and how to avoid each scam.





Lesson Four

Lesson Objectives:

Apply consumer information to determine which vehicle best fits your needs.

It's finally time to shop for cars. Car buying is not an easy decision for the responsible and savvy consumer (that's you!). In the 1950's there were less than 50 different models of cars. Today there are over 225!

To find a car, you may use newspapers or magazine classified ads found in the classroom. Or you may use some of the Internet sites listed below (or find others yourself).

www.carsforsale.com

<http://www.siouxfallscars.com>

<http://www.yahoo.com> (go to
classifieds)

<http://www.autotrader.com>

<http://www.autobytel.com>

You will **choose a minimum of 10 cars you might like to purchase** within your price range. (We're not going to barter; we'll just pay the asking price).

Enter the following information into the table below, create one using Microsoft Excel, or create your own one on paper.

Car	Year	Mileage	Asking Price	Dealer or Private Party?	Distinguishing features or options
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					

Now you need to narrow your search down to five vehicles (from the ten listed above). List the five vehicles (from the ten above) and number them 1-5. Provide the following information for each.

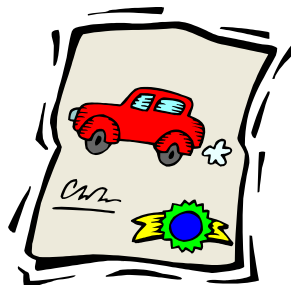
Car Make, model and asking price	Reliability* (5 boxes shaded)	Safety Rating** (stars)	Kelly Blue Book Value *** (Used car values)	Is there a warranty? What length?	Any other important information. (accessories, damage, accidents, color, fuel efficiency, doors, pulling capacity, engine size)
1.					
2.					
3.					
4.					
5.					

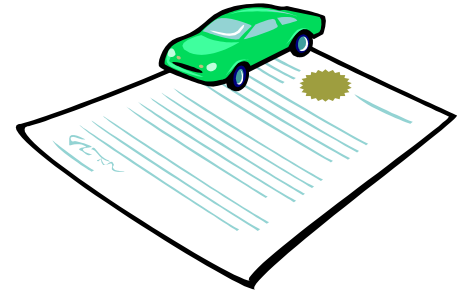
*Reliability information can be found at <http://carpoint.msn.com> (go to research, then used cars, then reliability ratings)

**Safety ratings can be found at the U.S. Department of Transportation: <http://www.nhtsa.dot.gov/ncap/>

***Kelly Blue Book value for cars can be found at <http://www.kbb.com/>

And finally...it's time to narrow down your choice to one car. Circle your top choice on the table above. In a minimum of two paragraphs (8 sentences) justify your choice. Include information related to your budget, your needs, safety, reliability, accessories or features, color, size, etc.





Lesson Five

Lesson Objectives:

Identify other expenses related to car ownership.

You know that the money doesn't stop rolling after you've bought your car. Now you have to pay to have it licensed, pay taxes, buy insurance and plan for maintenance and upkeep.

1. State Taxes: Contact the Minnehaha County Treasurer (check the phone book) or any major car dealer and find out how much you'll have to pay in taxes on your vehicle, and how much it will cost to license it in your name (it's a percentage of the purchase price). **Figure your costs and record them below.**

Cost of my vehicle:

Cost of Sales Tax:

Cost to License your vehicle:

2. First go to Edmonds.com to find out how to save money on insurance.
<http://www.edmunds.com/advice/fiw/articles/44858/article.html>

Read the attached article. Pick two ways that you can save on insurance and write a paragraph detailing each below.

3. Now that you know how to get a great deal, **you'll need to find out how much insurance will cost on your car.** Luckily you have the money in savings, or your parents are willing to foot the bill. You may log on to the Internet or call a local insurance salesperson for a quote. Either way it's a little lengthy...but you need to find the information.

Some possible insurance quote websites include:

<http://insurance.yahoo.com/a1.html> (recommended)

www.aiginsurance.com

www.InsWeb.com

www.4insurance.com

<http://www.geico.com/>

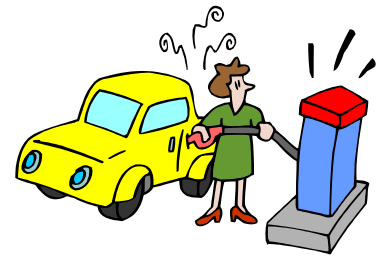
www.autoweb.com

www.netquote.com

What will your annual premium be?

What was your source of information?

Lesson Six



Lesson Objectives:

Explore other factors or attributes in the car buying decision process.

3. The more information you have on your car the better...it's not too late to change your mind.
Log on to www.fueleconomy.gov/feg/findacar.htm

Enter the car you are interested in buying on the "Find A Car" window.

What does this site tell you about the fuel economy of your vehicle?

How many miles per gallon does it get in the city?

On the highway?

What rating does it get for Global Warming or Greenhouse Emissions?

What do these numbers mean? (explain in detail)

**What other links are provided that would help you make a better buying decision?
Name three.**

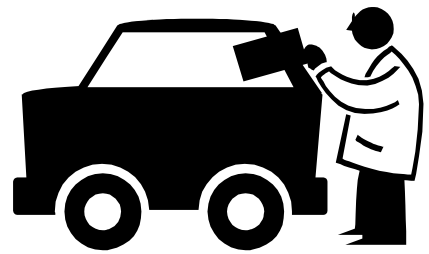
4. Now go back to the msn carpoint reliability site at <http://carpoint.msn.com> (go to research, then used cars, then reliability)

Enter your make a model and provide ratings on the following:

Engine

Transmission and Driveline

Steering and Suspension



Brakes

Heating and Air Conditioning

Accessories

Starting and Charging

Now check in at Consumer Reports.org "Used Cars: Best and Worst"

<http://www.consumerreports.org> (go to autos, scroll down to used cars – it's on the left hand side in black type, then "Best and Worst Used Cars")

Is the vehicle you chose on the Good Bets list?

Is it on the Reliability Risks list?

5. And once you buy your car you'll want to keep it. Log on to msn's carpoint site article "America's Most Stolen Vehicles"

http://carpoint.msn.com/Browse/win_2891.asp?src=Home&pos=Edit2

Is your vehicle listed on the top ten CCC's most stolen vehicles for 2001? If so, what ranking did it get?

Is your vehicle listed on the NICB top ten list? If so, what rating did it receive?

Studies show that thieves' tastes differ from region to region.

What is the most stolen vehicle in Texas?

In California?

In New York State?

In Tucson, Phoenix, Fresno and Dallas?

Where are four places (or what are four things) that typically happen to stolen vehicles that are not recovered?





Lesson Seven

Lesson Objectives:

Justify a car purchasing decision.

List the following information below:

Your Name:

Your Budget:

Car you chose (make, model, price)

What are the features and options of this vehicle?

How many miles does it have?

What physical condition is the vehicle in? Have you seen a photo of it?

Where did you purchase/find this vehicle?

How much is your annual insurance premium? What this higher or lower that you expected?

How much tax will you have to pay?

In paragraph form, (and a minimum of 2 paragraphs) explain in detail why you would still choose this car, or why you might decide to research another model (include information on reliability, theft, pollution, gas mileage).

Two more things before you leave...

1. Return to Log on to CNNmoney website at http://money.cnn.com/pf/101/lessons/18/top_ten.html and re-take the car buying quiz.

What was your score this time? _____

What was your score the first time you took the quiz? _____

2. And finally...write an overall evaluation of your experiences with this project. Include your honest opinion.

What areas/parts did you enjoy? Which did you dislike?

Give suggestions and critiques of the websites that were included in this project, as well as any resourced you located on your own.

Will this project help you make better decisions as a future consumer?

Would you recommend that I use this project again in the future? Why or why not?

Conclusion

*Will you own your own car some day? Will you get a surprise windfall from a long lost uncle?
Will your parents surprise you with a car on graduation day?
Even if you don't get your dream car, you now have a better idea about the price of new and used cars, financing, and other factors such as insurance that will help you determine which car to buy.*

I hope you enjoyed this experience and that you have fun in the driver's seat or whatever vehicle you choose...but drive safely!



